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SUBJECT: BABY STEPS FOR MONGOLIA'S FIU

REF: Ulaanbaatar 105 (NOTAL)

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¶1. (SBU) SUMMARY: The Government of Mongolia's (GOM) effort to establish an effective Financial Intelligence Unit (FIU), as required under the nation's first Anti-Money Laundering and Combating the Financing of Terrorism legislation (AML/CFT) passed in July 2006, has been slow going, but there have been notable achievements. Important internal regulations have been adopted and banks have begun filing suspicious transaction reports (STR). In February, Parliament approved amendments that specifically criminalize money laundering and terrorist finance, moving Mongolia closer to compliance with international standards, particularly Financial Action Task Force's (FATF) 49 recommendations. The FIU is also establishing relationships with foreign counterparts and has applied to join the Egmont Group of FIUs. However, finding qualified staff remains a challenge, and to boost the unit's capacity to investigate suspicious transactions, better training and proper tools are required. FIU Chief Tumurbat departs March 29 for a three-week visit to the U.S. to learn about the USG's systems and establish contacts.
END SUMMARY.

¶2. (SBU) On February 1, 2008, the Mongolian Parliament approved amendments to the Criminal Code that officially and explicitly outlaw money-laundering and terrorist finance. The move marked an important step toward Mongolian compliance with international standards -- particularly the FATF's 49 recommendations as well as requirements set by the Asia Pacific Group (APG) mutual evaluation experts in July 2007.

INTERNAL REGULATIONS ADOPTED

13. (SBU) While getting Mongolia's FIU up and running has been a painfully slow process (reftel), there has been some notable progress. (Note: Mongolians refer to their FIU as the "Financial Information Unit" as the word "Intelligence" carries ominous connotations in this post-communist nation). Internal operating procedures have been drafted and adopted including: "The FIU secrecy regulation," "The FIU Chapter," a "Regulation on collecting, analyzing and disseminating financial transaction reports by FIU," and a "Cooperation Council Regulation." In addition, six regulations and procedural motions have been drafted by the FIU staff and submitted to the IMF's Legal Department for review. (Note: The IMF's Legal department is providing the FIU with technical assistance for the development of regulations and procedures, as well as the training of staff on AML/CFT issues. End Note.)

SUSPICIOUS TRANSACTIONS NOW BEING REPORTED

14. (SBU) Two regulations on bank compliance with AML/CFT have also been issued: "Know your customer regulation for banks," and "Suspicious transaction report (STR) and cash transaction report (CTR) regulation for banks." Banks, which have been required to report CTRs and STRs since early February, have so far filed 150 CTRs and 2 STRs originating from six banks (out of 16 banks currently operating in Mongolia). However, according to Central Bank Deputy Governor B. Enhhuyag, these reports have varied in quality and consistency. In response, the FIU is training bank compliance officers on the new procedures and how to prepare STR and CTR reports.

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FIU AND LAW ENFORCEMENT

15. (SBU) There have been two meetings thus far of the GOM's "Cooperation Council," which is composed of relevant officers from the FIU, Finance Ministry, Criminal Police Department, General Intelligence Agency, Anti-Corruption Agency, The Bank of Mongolia, Prosecutor General's Office, Customs Agency and Financial Regulatory Committee -- to discuss FIU issues, including ways to safeguard confidential information uncovered during investigations.

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16. (SBU) The FIU is incorporated within the Bank of Mongolia and is "administrative" in nature; it has no authority to use special investigative techniques, such as wiretapping and controlled delivery. Under the AML/CTF law, the FIU is to collect and analyze information from financial institutions. If it finds sufficient evidence of unlawful activity, it is to pass the information to prosecutors.

RECRUITMENT PROBLEMATIC

17. (SBU) So far, only three of the FIU's four staff positions have been filled, but with the 2008 state budget funding three additional positions (for a total of seven), active recruitment needs to intensify. However, Enhhuyag tells us that recruitment has proven extremely difficult and time consuming. New recruits must possess, at a minimum, a bachelors or higher degree in finance or law; excellent command of English; and at least a year of work experience in a financial institution. Of 30 or so respondents to two newspaper recruitment ads, only one met these requirements. The FIU has thus far had no success in coaxing talented Bank of Mongolia officers to accept FIU jobs. Some applicants have been put off by the FIU's low salaries and limited career-advancement opportunities. 1B. Tumurbat, the FIU Chief, told us recently that there was real concern at the FIU about recruiting people "off the street," as agents would be expected to properly handle confidential information received from banks, and leaks have already started appearing in the local press.

FOREIGN COOPERATION

18. (SBU) The FIU is strongly committed to cooperating with international counterparts. The FIU has already signed an MoU with Turkey's FIU (MASAK) and applied for membership to the Egmont group of Financial Intelligence Units. In February, 2008, FIU staff visited Taiwan to report on FIU developments and receive training. Recently, Tumurbat was nominated by the APG as an assessor of the Japanese AML/CFT system (within the framework of FATF/APG Mutual Evaluation) and visited Japan as part of an on-site examination on March, 2008. Tumurbat will shortly depart on a three-week long, Public Affairs-funded international visitor program to the U.S. to learn about the USG's systems and to establish contact with relevant U.S. agencies.

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